

Q. When was that control of Susquehanna Electric Power Company secured by Bertron, Storrs and Griscom?
A. April, 1907.

Q. You have previously indicated there was a consolidation of interests insofar as McCall Ferry, Susquehanna Power Company, and Susquehanna Electric Power Company were concerned. Did that consolidation come about under the agreement which is part 67 of Exhibit 27?
A. Yes, sir, and it was effected on February 20, 1908.

Q. In other words, the three lower interests agreed to pool their interests from that point on? A. Yes, to pool their holdings of water power and land rights.

Q. You are now referring to the land rights below Culley's Falls. Right? A. Yes, below the lower boundary of the Holtwood project.

Q. How was that pooling accomplished, Mr. Gunn?
[7815] A. You mean how were the various interests decided?

Q. Yes. A. On the basis of the head in the Susquehanna River lying downstream from the downstream boundary of the Holtwood project and above Tidewater identified as being approximately at the mouth of Rock Run Creek on the map in Exhibit 26, and just below the island identified as Roberts Island.

[7816] The total amount of that head susceptible of development was 91 feet, and each party to the consolidation agreement was to receive an interest in the consolidation represented by the fraction in which the numerator would be the number of feet of head in the river that interest controlled divided by the total number of feet, which were 91 feet.

Q. You are referring to the number of feet controlled prior to the consolidation? A. Yes, at the time of the consolidation.

. . .

[7817] By MR. HALL:

Q. Mr. Gunn, when was the consolidation agreement actually carried out? A. It was signed on February 20,

1908. I don't know whether I understand just what you mean by "carried out" any more than that.

Q. That is substantially what I meant. A. All right, sir.

[7852] Q. After adjusting for the properties transferred to Conowingo development and Safe Harbor, is the amount you are claiming for the Harlow-McGaw lands \$285,555.40, which properties were retained by McCall Ferry?

THE WITNESS: I don't recognize the figure. I don't seem to be able to make it up. Could you give me the derivation of it?

By MR. HALL:

Q. Yes. As I understand it you are claiming \$450,432 for the Harlow-McGaw lands? A. That is right.

Q. Plus \$13,772.22 for the Pullen option, making a total of \$464,204.22. If we subtract from that total of \$464,000 a credit of \$149,566.62 and the \$29,082.80, giving a total deduction of \$178,648.82, we get the resulting \$285,555.40, right? A. Yes, if you make those mathematical computations you get that figure. However, I am not sure as to the propriety of including the Pullen option in there but I see no objection to it if you wish.

[7855] By MR. HALL:

Q. Mr. Gunn, was the purchase of the Pullen option necessary to the acquisition of the Harlow-McGaw purchase? A. No, I don't think it was. They were bought separately and as I recall the Harlow-McGaw purchase stood alone. However, it was desirable at the same time to buy the Pullen option in order to avoid an attempt on Pullen's part to exercise it.

Q. Did the Pullen option cover, among other things, the Harlow-McGaw properties? A. Yes, sir.

[7856] Q. In other words, it was necessary to acquire the Pullen option in order to get the Harlow-McGaw properties? A. You may draw that conclusion if you wish. The facts are all in the record.

. . .

[7858] Q. Isn't it a fact that you have included as cost of the McCall project the expenses incurred by the McCall Ferry in connection with the defense of the condemnation suit brought by Susquehanna Power Company? A. That may be correct, although I don't remember any identifiable expense. To the extent there was expense, I suppose it is included somewhere.

. . .

[7859] By MR. HALL:

Q. Were the expenses associated with the condemnation suit at least \$20,000?

. . .

THE WITNESS: I don't recall, Mr. Hall.

By MR. HALL:

Q. Why should the McCall Ferry project be charged with the cost of the condemnation suit? A. Because the costs were incurred in defense of the company's ownership of its property.

Q. Ownership of what property, Mr. Gunn? A. The property sought to be condemned.

Q. Where was it located? A. In Maryland.

Q. It was not part of the project, was it, the Holtwood project? A. That is a little difficult to say, Mr. Hall. I would say that it was, and for this purpose and for this reason: Had McCall Ferry not defended their ownership of their property and defended themselves against the condemnation suits, they might have gotten a much less amount of money in the end to credit against the project cost and thus [7860] reduce the project cost. So it seems to me that that defense which acted to make a greater credit in reduc-

tion of the project cost ought certainly to be recognized as a part of the cost of the project.

By Mr. Hall:

Q. On the contrary they might have gotten much more. Isn't that so? A. No, I don't believe I can quite see under what circumstances they might have gotten more. At least I can't quite see it.

Q. The cost of the condemnation suit represents cost of protecting lands in Maryland; right? A. Yes, it represents that, but it also represents more than that.

Q. What is this "more" that you refer to? A. It represents the ultimate effect of that defense, brought about by a greater credit to the original cost of the McCall Ferry project, and thus had the effect of reducing the total original cost of the McCall Ferry project.

Q. I still don't understand how you conclude that it brought about a greater credit, that the condemnation proceedings brought about a greater credit. A. Well, I draw that conclusion from this fact, Mr. [7861] Hall: The Susquehanna Power Company was seeking to condemn and take the property of McCall Ferry Power Company in Maryland. McCall Ferry Power Company incurred these expenses in resisting the taking of their property and then ultimately reached an agreement with Susquehanna Power Company and the other lower development interests, out of which they received securities in exchange for their property. The securities were subsequently sold.

Now, it would certainly be my conclusion that if they had not resisted that condemnation suit they might have fared worse in the end than they did by resisting it, and that being a fact it seems to me that the cost of the condemnation suit resulted in there being a greater credit to McCall Ferry in reduction of McCall Ferry's original cost than there would have been otherwise.

Q. In other words, you have assumed that the supposition is a fact.

TRIAL EXAMINER: That is argument. He stated what he did.

By MR. HALL:

Q. Mr. Gunn, did the condemnation suit have any effect on market value? **A.** Market value of what and when?

Q. Of the properties involved in the credit.

MR. KING: May we have that question read, Mr. Examiner?

TRIAL EXAMINER: Yes.

[7862] (Question read).

THE WITNESS: I don't believe I understand, Mr. Hall. Are you asking me if the award in the condemnation suit was the market value? Is that your question?

By MR. HALL:

Q. No, Mr. Gunn. I have in mind whether the condemnation suit actually had any effect on the market value of the properties involved. **A.** I don't know whether it did or not.

Q. Mr. Gunn, did you know that at a directors meeting on July 14, 1908 of Susquehanna Power Company, Harlow certified that the value of the properties acquired under the consolidation agreement of February 20, 1908 was not less than 85 per cent of the par value of the \$1,845,000 of bonds issued for the property?

THE WITNESS: Will you read that question, please?

(Question read).

MR. KING: I object to that question as being proper rebuttal and improper cross.

MR. HALL: I merely asked if he has knowledge of that fact, Mr. Examiner.

TRIAL EXAMINER: Objection is overruled.

THE WITNESS: Mr. Hall, you are referring in that question to the total amount of property that came into the consolidation and not just to the part that McCall turned in. [7863] Is that correct?

By MR. HALL:

Q. That is right, Mr. Gunn. A. No, sir, I didn't have any knowledge that Mr. Harlow made any such certification. I don't think it would have made any difference to me if I had had any knowledge.

Q. Did you consider Boyd Ehle's valuation of the property, of the lower river properties? A. Referring now to the properties which entered into the consolidation?

Q. Yes.

THE WITNESS: May I have the question?

(Question read).

By MR. HALL:

Q. Which he testified to in the Susquehanna Power Company condemnation suit? A. No, sir, I don't recall having seen his testimony in that case.

[7905] By MR. HALL:

Q. Mr. Gunn, as shown by Page 53 of Exhibit 26 you show the \$1,221,000 to be made up of \$750,000 cash and \$471,000 claimed for the 18,840 shares of common stock of McCall Ferry.

Is it your position that the amount of \$1,221,000 represents the actual reasonable cost of the Hutchinson lands at the time of their acquisition by McCall Ferry?

MR. KING: Did you say actual reasonable cost?

MR. HALL: Strike the word "actual." I meant "reasonable cost."

THE WITNESS: Yes, if we may make the assumption that the Federal Power Commission's requirements for determination of original cost are reasonable.

By Mr. Hall:

Q. Upon what evidence of cost of land to Hutchinson is that determination based? A. None so far as I know. That determination is based upon price that McCall Ferry Power Company paid Hutchinson for the lands, not upon the price that Hutchinson may have paid somebody else.

Q. In other words, the amount of \$750,000 does not [7906] represent the cash paid by Hutchinson for the lands which he acquired and transferred to McCall Ferry? A. I can't be too sure of that, Mr. Hall, because all I know about that is what Hutchinson says in his affidavit, which is part 1 of Exhibit 27, and he does not state what was paid for lands separately from what was paid by him for engineering services, legal services, and other costs to him of bringing the development to the stage it was when he sold it to Harvey Fisk and Sons.

Q. In other words, you do not know the cost to Hutchinson of the lands he purchased and transferred to McCall Ferry? A. That is correct. I do know the price he paid for one of the acquisitions, that being the York Furnace acquisition, and the price he paid for that is a little bit hazy but we know it is not less than \$201,000.

Q. Would you say the York Furnace lands constituted approximately half of the lands transferred by Hutchinson to McCall Ferry?

. . .

THE WITNESS: I really don't know what the acreage would be but it doesn't seem to be of any significance to me.

The reason is this: When you buy lands for development for such as McCall Ferry, where the lands simply represent [7907] a certain shoreline distance, another part of them represents land standing approximately vertical at the side of a cliff, and some more represent level tablelands at the top of the cliff, it seems to me the acreage has no significance at all.

. . .

[7910] By MR. HALL:

Q. How much of the \$750,000 received by Hutchinson did he turn over to Beyer and Willson in payment for the York [7911] Furnace properties?

. . .

THE WITNESS: As I recall he paid \$155,000 to Beyer and Willson as the final payment in purchase of their property. He had, of course, previously paid other substantial amounts.

By MR. HALL:

Q. What were the other substantial amounts? A. I believe somewhere around \$45,500. He previously had paid at least \$45,500. He may have paid more.

Q. Was that \$45,000 paid for the right to extend the option on the York Furnace property? A. I don't recall all of it was paid for that. As a matter of fact, one of the early options, I believe the option of February 21, 1902, recited a series, or acknowledged a series of payments previously paid. I don't recall it stated specifically what those payments were for.

. . .

[7913] By MR. HALL:

Q. Didn't McCall Ferry Power Company know, Mr. Gunn, that additional money would be required as soon as plans and activities were directed towards a larger dam than that of 50,000 horsepower with elevation 155 as contemplated in the Person's report?

. . .

By MR. HALL:

Q. I am referring, of course, to money in addition to that raised in the March, 1905 financing. A. They ultimately knew that more money would be required, but, as I recall it, they first hoped, based upon the lowest estimate, that Pennsylvania Railroad Company had given them for the railroad relocation, that they might be able to build a

higher development within the financing they had already done. However, when Pennsylvania Railroad revised the cost of relocating their line, and when elevation 165 was fixed as the height of the dam, and when the decision was made to excavate the tailrace, it became evident at some [7914] point along the progress of making those decisions that they would not have enough money.

Q. Are you saying—if they went forward and constructed the dam at 185 elevation with provision for 100,000 horsepower that they would not need more money than was raised in the March, 1905 financing? A. No, I am not saying that, Mr. Hall. I understood the point of your previous question to be what did McCall Ferry think they could do.

. . .

I mean without raising additional funds.

In other words, your most recent question, I understood to be, was what did I think they could have done with respect to building a project to 185 elevation without additional financing.

I am now explaining that I thought the question just previous to that one was what did McCall Ferry think they could do with respect to a higher project and with respect to the need or lack of need of additional financing.

[7915] By MR. HALL:

Q. Wouldn't any increase in capacity and elevation require more funds than were provided for in the March, 1905 financing? A. I don't think that necessarily follows, Mr. Hall. For example, in financing of that sort, and I suppose in the McCall Ferry financing, the estimates were supposed to be a liberal amount. It might very well be that more favorable construction conditions were encountered than which had been the basis for the estimate, and as a consequence it might be possible to build a larger development for the same amount of money which had been raised.

Q. It is also true that less favorable conditions could have been encountered; right? A. Yes, quite so.

Q. Isn't it a fact that less favorable conditions were actually encountered? A. Less favorable in what respect.

Q. Than they had originally contemplated? A. Less favorable in what respect?

Q. With respect to expenditures. A. Well, as a matter of fact they didn't ultimately build the project they contemplated in March of 1905, and the cost was different.

Q. Were not the McCall Ferry plans and activities [7916] directed toward the construction of 185 foot elevation dam with provision for 100,000 horsepower over a period of approximately a year?

THE WITNESS: May I have the question, please?
(Question read).

THE WITNESS: That is substantially correct.

The recommendation of the advisory engineers to build a dam to elevation 185 was dated August 7, 1905, and the decision to fix the crest at elevation 165 was dated June 19, 1906.

By MR. HALL:

Q. Prior to August 7, 1905 they, of course, were engaged in preparing whatever plans and specifications were necessary in order to ask for bids. Right? A. The August 7, 1905 date was the date upon which McCall Ferry Power Company board of advisory engineers recommended to the company that the dam be built to 185. Now, it was August 11, when bids were called for, August 11, 1905, when bids were called for, for the construction of a dam at 185.

As I recall it, the only particulars that had to be known were the estimated quantities, and these could be approximated with sufficient accuracy for taking bids without any particular amount of detailed plans being available.

Q. What was the nature — [7917] A. There was undoubtedly engineering work done prior to August 7, when the advisory engineers recommended elevation 185, and a

very substantial amount of work to make the comparative estimates necessary to take into consideration in selecting a height. However, the decision actually to build to elevation 185, that is conclusions upon which the recommendation were based, I take it were reached on August 7, 1905.

Q. Do you know the details of the nature and extent of the plans and specifications made upon which the bids were called? A. No, I do not. I don't know what were the details of the plans or specifications, except as those details are set forth in the specifications upon which the bid was taken.

Q. Over what period of time were those specifications extended? A. I don't know.

Q. Didn't McCall Ferry know that additional funds over those already raised would be required for a 185 foot dam?

THE WITNESS: Yes, I think that is undoubtedly true.

By MR. HALL:

Q. Why didn't McCall Ferry arrange for additional [7918] funds as soon as it was decided to build a project of greater capacity? A. I don't know what may have been McCall Ferry's reason for not doing that other than the possibility that it may have been impossible to go out and raise additional funds after not having employed the funds they already had. It may have been undesirable to do so, and, as events proved, it seems to me it was lucky they didn't because if they had gone out and raised funds to build the project to elevation 185, and then found it necessary to cut it back to 165, they would have had a bunch of extra money on their hands and nothing to do with it.

Q. The fact is that no attempt was made to obtain additional financing in 1905 or 1906. Right?

THE WITNESS: I don't recall the details of that, Mr. Hall. It seems to me that some consideration was given to

the possibility of selling the roughly two million dollars treasury bonds that McCall still had at some future date. I don't recall that any attempt was made to sell them at the date they were first considering elevation 185 for the dam.

By MR. HALL:

Q. Mr. Gunn, isn't it a fact that the possibility of selling the treasury bonds was not considered until the [7919] summer of 1907?

. . .

THE WITNESS: No, I don't think that is correct, Mr. Hall, because McCall Ferry knew, when the dam elevation was fixed at 165, and the decision to increase the capacity of the plant by improving the tailrace was made, that additional financing would be needed. They did have the treasury bonds available, and I don't know of any reason for assuming that they did not then consider that as a means by which they would raise the money.

The actual attempt to raise money through the disposal of those bonds, as I recall, was during 1907.

. . .

By MR. HALL:

Q. And no attempt had been made prior to that time to dispose of those bonds?

. . .

THE WITNESS: I don't know whether there had been or not. I don't have any evidence, as I recall, of a specific attempt being made to sell those bonds, but the mortgage provision, which is set forth on page 44 of Exhibit 26, seems to me to indicate that that was the appropriate manner, that the sale of those treasury bonds was the appropriate manner, [7920] which McCall Ferry Power had open to them to obtain additional financing, and it is largely for that reason that I am unable to say it had not previously been considered for sale as a means of getting the necessary financing.

By MR. HALL:

Q. Isn't it a fact it was not until June 5, 1907, that the executive committee of McCall Ferry authorized the sale of the bonds remaining in the treasury?

THE WITNESS: Yes, sir, I think that is a fact, Mr. Hall. I don't know whether or not that represents their first consideration of the subject.

By MR. HALL:

Q. Do you know of any prior consideration by the executive committee? A. Nothing other than the evidence we have that the McCall Ferry Power Company had knowledge of the fact they didn't have enough money to complete the project.

Q. By May of 1907, the company calculated that its cash would be exhausted in the fall of that year. Isn't that so? A. I think that is correct.

[7921] Q. But, notwithstanding the imminent exhaustion of its cash resources the McCall Ferry Power Company did not provide for additional funds for the project. Right?

A. I think it is a fact that they did not provide them, and I think it is also a fact they tried and failed to provide them.

Q. All right. A. It is my understanding that the thing that got McCall Ferry Power in trouble was the financial panic which prevailed in the latter part of 1907, and every attempt they made to get additional money, including attempts, I believe, to get it in France and maybe in England, met with failure.

Q. What evidence do you have to support your statement that the McCall Ferry tried and failed to arrange for additional funds?

THE WITNESS: I think the evidence is largely in the form of correspondence, some of which was obtained from Lee, Higginson and Company's files and some of which was in McCall Ferry's files, and I believe some more may have

been in Coudert Brothers' files. It related to attempts of various people to raise money, I believe in May and June of 1907. I am sure one of the attempts related to raising money in [7922] France. I believe that attempt was made by either Bertron or Lee, Higginson.

By MR. HALL:

Q. Was the attempt to raise money in France made in 1908?

. . .

THE WITNESS: There may have been an attempt made in 1908, but it is my recollection that there was certainly an attempt made in 1907.

By MR. HALL:

Q. Isn't it a fact that discussions took place in the summer of 1907 for additional financing, but that these discussions never were consummated or carried out? A. That is rather difficult to answer. I think there were discussions, and I think they never succeeded in raising the money. But I also think that in addition to discussions they made every effort possible to raise the money and save the company from bankruptcy and failed to do it. I think perhaps all of those things are true.

Q. The subsequent suspension of construction by McCall Ferry was necessary because adequate funds had not been provided for the completion of the project. Isn't that so? A. Yes, up to that time they had not obtained adequate funds, and the reason why they had not was because this [7923] attempt to sell the additional bonds in 1907 had failed.

Q. Mr. Gunn, will you refer to page 72 of Exhibit 26?

A. I have it before me.

Q. The last complete paragraph of that page? A. Yes, sir.

Q. What did you mean when you there stated, "Various plans were considered for selling the treasury bonds,

but apparently actual underwriting was to be delayed until available cash was exhausted."?

THE WITNESS: I meant just what we have been discussing, that previous to the exhaustion of funds McCall Ferry Power Company had considered the plans I have just mentioned for raising funds, had I believe, ~~trial~~ had failed, and the available funds became exhausted.

Is it the words "To be", Mr. Hall, that are giving you the trouble?

By MR. HALL:

Q. Yes. A. I would say that is perhaps a peculiarity of speech and that it might have been clearer if the words "to be" had been left out and it just stated "was delayed", because [7924] that is the fact. It is not my understanding that it was delayed by any deliberate plan to throw the company into bankruptcy.

Q. Mr. Gunn, do you know of any actual offerings made to the public of McCall Ferry bonds in the summer of 1907? A. What do you mean by offerings made to the public, Mr. Hall?

As I understand it, that was not the way they did financing in those days.

Q. Were offerings made to the group which McCall Ferry considered as financial agents?

I might rephrase the question: Do you know of any actual offerings by Lee, Higginson and Company, Harvey Fisk and Sons, or Bertron Storrs and Griscom to their customers of McCall Ferry bonds which were rejected by the customers? A. I will have to answer it this way: It is my recollection that some time in June of 1907 an offer was made, at least consideration was given, to previous subscribers to McCall Ferry bonds or to the bankers, that they purchase enough of McCall Ferry bonds to insure that McCall Ferry would have enough money to tide them over the end of 1907 when it was thought that additional bonds

could be sold. That is one of the facts that led me to the conclusion that because of the financial conditions in 1907 it was impossible at that time for McCall to raise money, and these people [7925] interested in the project recognized the impossibility, and were endeavoring to work out that temporary expedient to tide over McCall Ferry.

Q. Mr. Gunn, I believe at page 68 of Exhibit 27, the last sentences in paragraph 7 on that page, Mr. Lee states,

"In the summer of 1907 it was decided to sell another half million of bonds, and it was suggested that my firm handle \$100,000 par value of them. Before they were placed the financial market became unfavorable and it was followed by a panic in the fall of 1907."

A. I have read it.

Q. Do you agree with that statement? A. Yes, I agree that the statement appears on page 68 of Exhibit 27, and Mr. Lee is there referring to the effort on the part of McCall Ferry that I have just been describing.

Q. Mr. Gunn, I show you a letter dated April 20, 1908, which Mr. Hutchinson wrote to H. F. Dimock, Esquire, president of McCall Ferry Power Company.

Are you familiar with that letter? A. Shall I read it?

Q. No, just generally. A. I notice the letter came from the company's files and I undoubtedly was familiar with it at one time. It appears it came from company file No. 3951-3. That being the case [7926] I was undoubtedly familiar with it at one time.

[7928] (Thereupon, the document referred to was marked Exhibit No. 175 for Identification).

By Mr. HALL:

Q. Mr. Gunn, I believe Mr. Hutchinson in his affidavit, as shown at the bottom of page 8 of Exhibit 27, states

"it was decided to increase the capacity from 50,000 h.p. to approximately 100,000 h.p., which required more

financing than had been originally provided and affiant ~~so~~ reported. Due to delays in arranging for additional finances, the money as originally provided became exhausted."

Does that agree with the facts as you found them to be during your original cost study? A. Partially but not completely. If you will add the next sentence other than the one you quoted I think then it would be completely.

The next sentence reads:

"This occurred at a time when the market had become [7929] unfavorable for the raising of money and resulted in a receivership and reorganization of the corporation."

With that addition it seems to me to be a fair statement of the situation.

Q. Did the financial panic of 1907 occur before or after the failure of the Knickerbocker Trust Company? A. I really don't know, but it has always been my understanding that it occurred coincident with. That understanding on my part comes from, I believe, some information I got out of an international monetary commission investigation of the panic of 1907 and out of various economic text books on economic history. I have no firsthand knowledge myself, of course.

Q. In other words, the first evidence of the 1907 panic was the failure of the Knickerbocker Trust Company, right? A. That I can't say. I don't know whether or not it was.

Q. McCall Ferry had no funds, no current funds on deposit with Knickerbocker Trust Company at that time. Isn't that so? A. What do you mean by "current funds"?

Q. Checking account funds.

[7930] THE WITNESS: I will have to answer that this way: At that time McCall Ferry had on deposit with Knicker-

bocker Trust Company \$250,000 as an indemnity fund under the railroad relocation agreement, and there was earned interest of something like—no, that is wrong. There may have been some interest earnings on that amount available to them at the time, and in addition I understand there were \$8500 on deposit with Knickerbocker Trust Company as a bond in connection with some lawsuit. I don't recall the details of that latter item.

By MR. HALL:

Q. In view of the fact that both of those amounts were pledged as indemnities, neither of them were available for use for construction purposes by McCall Ferry. Is that right? A. I believe that is right.

Q. McCall Ferry had made no request for an additional advance under the loan agreement prior to the closing of the bank under the Knickerbocker Trust Company loan agreement? A. I don't believe I understand what you are referring to there, Mr. Hall. May I have the question, please?

(Question read).

By MR. HALL:

Q. I mean since the date of their last previous request. [7931] A. I think that question answers itself, Mr. Hall. Obviously they had not made any request since the date of their last previous request.

Q. Do you know when that last previous request was made? A. No, sir, I don't offhand.

Q. Do you know, Mr. Gunn, that subsequent to the request made on June 13, 1907, which was honored in the amount of \$637,200, that no other request was made for an advance under the loan agreement with Knickerbocker Trust Company prior to the failure of the company? A. It is my understanding that that is true.

TRIAL EXAMINER: What could the subsequent request have amounted to?

THE WITNESS: I understand it could have amounted to some \$300,000, and so far as I know the reason they didn't make a request prior to the failure of Knickerbocker Trust Company is probably because they had not spent all of the \$637,000 that they had requested on June 13.

I have no reason for supposing that that is not the reason.

By MR. HALL:

Q. Isn't the balance due on the loan \$345,000? [7932]

A. I believe that is precisely it, \$345,000.

[7933] By MR. HALL:

Q. Just before the noon recess, Mr. Gunn, we had referred to the call for a loan from Knickerbocker Trust Company on June 13, 1907. Did you wish to clarify that any further? A. Yes, sir. It is correct that there was a call upon Knickerbocker Trust Company under the loan agreement on June 13, 1907, for \$637,200.

It is also true, as I said previously, that on January 8, 1908, there was a balance obtained by McCall Ferry of \$345,643.80.

Between those two dates, and on November 1, 1907, Knickerbocker Trust Company, on the account of interest due them on the loan arrangement, charged an amount against the advances due McCall Ferry of \$208,752.20. The charging of that amount for interest by Knickerbocker Trust Company reduced the amount finally due McCall Ferry Power Company to [7934] \$345,000 instead of \$552,000 which it would have been other than for the interest transaction.

Q. No request was made to Knickerbocker Trust Company for an additional advance under the loan agreement for construction purposes until January 8, 1908. Right?

A. I don't believe that is correct, Mr. Hall, because as I recall it it was necessary for McCall Ferry Power Com-

pany to request the advance they received on January 8, 1908, and the request had to be referred to the receivers of Knickerbocker Trust Company, and in return there was required some sort of court approval or some sort of court action of some kind. That having been the chain of events it seems to me obvious that the request must have been made some time substantially prior to January 8, 1908.

Q. Do you know when the request was actually made?

THE WITNESS: Information in our files in the form of correspondence, I believe, indicates the request was first made on October 25, renewed on November 1, and renewed again on November 5, all in 1907.

TRIAL EXAMINER: What was that amount?

THE WITNESS: The request for the remainder, which was \$345,000 after it had been reduced by the interest due Knickerbocker Trust Company under the loan arrangement.

[7935] MR. HALL: May we have marked for identification as Exhibit 176 a letter dated December 10, 1907, written by Henry C. Ide, Receiver for Knickerbocker Trust Company, and addressed to H. F. Dimock, president of McCall Ferry Power Company, 60 Wall Street, New York?

This was copied from McCall Ferry Power Company File No. 31.

(Thereupon, the document referred to was marked Exhibit No. 176 for Identification.)

By MR. HALL:

Q. Was that one of the letters you considered in connection with your original cost study, Mr. Gunn?

THE WITNESS: I don't recall having specifically considered that letter, Mr. Hall, but it at least was not the

letter to which I had reference when I mentioned, several questions back, the dates on which requests for the final advance from Knickerbocker Trust Company had been made.

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[7936] Q. Didn't McCall Ferry—the McCall Ferry call of October 25, 1907, refer to the \$208,756.20 interest which was to be charged to the McCall loan account as of November 1, 1907?

THE WITNESS: May I have that question, please?

(Question read.)

THE WITNESS: That is not my recollection, Mr. Hall. The call may have referred to that amount but it is my recollection that it also referred to this final amount due under the loan arrangement, or at least it is my understanding that it did refer to the final amount due, and I don't know whether it referred to the interest which Knickerbocker Trust Company charged off against McCall Ferry's account or not.

By MR. HALL:

Q. On January 8, 1908, McCall Ferry received the balance of the loan amounting to \$345,000. Right? A. Yes, sir.

Q. The available funds at that time were totally inadequate for the completion of the project. Isn't that so? A. They were inadequate.

Q. For the completion? A. Yes, for the completion of the project.

[7937] Q. As a matter of fact, they were not even sufficient to meet the liabilities already contracted for for machinery. Isn't that so? A. I don't have the amount of those contracts before me but I believe that would be the fact.

Q. Regardless of the failure of the Knickerbocker Trust Company, the project would have had to suspend

work due to the lack of funds. Isn't that so? A. I don't think you can quite draw that conclusion, Mr. Hall.

Q. Why not? A. For the reason, as I understand it, the failure of Knickerbocker Trust Company was a part of the general financial panic at that time, prevailing at that time, and a consequence in part of the financial panic. If it had not been for the monetary situation there probably would have been neither a failure of Knickerbocker Trust Company nor McCall Ferry Power Company.

. . .

[7938] By MR. HALL:

Q. Without additional financing isn't it a fact that McCall Ferry Power Company would have had to suspend work within a few months after November 1, 1907? A. Yes, sir, I think that is correct.

. . .

By MR. HALL:

Q. At the time the project closed down, even the sale of the entire balance of treasury funds would have been insufficient to complete the project. Isn't that so? A. Yes, I believe that is correct. However, I don't see that McCall Ferry's ability to raise money was at all limited to the million-and-a-half-or-so-dollars that [7939] remained out of the \$10,000,000 authorized. It seems to me it would have been necessary only that they authorize some more, sell those, and there would have been enough money.

. . .

[7941] By MR. HALL:

Q. Mr. Gunn, isn't it true that work on the water-wheels and electrical equipment was stopped a few days prior to November 1, 1907? A. I believe it is correct, Mr. Hall, that at about that date McCall Ferry Power Company notified I. P. Morris to suspend the manufacture of the water-wheels but I don't recall that the company's records contained any evidence that General Electric Com-

pany ever was notified to suspend manufacture of the generators. It is a fact that they did suspend manufacture, and it may very well be that because of Mr. Coffin's connection with the company, that is with McCall Ferry Power Company and with General Electric Company, that there was no need for any notice.

Q. You say it may very well be that General Electric did suspend work. You mean prior to November 1, 1907?

A. No, I don't mean prior to November 1, 1907. I mean ultimately they did suspend work and I don't know when because the company's records, as I recall it, do not contain information showing the date on which they were given notice to suspend work.

Q. Mr. Coffin being a member of the executive committee of McCall Ferry would be familiar with the decision taken to suspend construction, right? A. Yes. I think it very well may be that that accounts [7942] for the fact we don't have any formal notice that McCall Ferry Power Company didn't leave any record of formal notice given to General Electric Company.

Q. What construction activities were carried on after November 1, 1907? A. During the month of November concrete to the extent of some 600 yards was poured in the power house superstructure, and probably some in the connecting bulkhead between the dam abutment and the power house. There was approximately 130 cubic yards of concrete placed in the skimmer wall.

Then in April of 1908 and continuing through October of 1908 there was a very extensive amount of tailrace excavation which was necessary in order to gain the additional 20,000 horsepower we have previously spoken of, and during that same period the deflection wall, which is in reality a wing dam extending from the main dam to Piney Island, the function of which is to separate the main channel of the river from the tailrace of the Holtwood plant and thus maintain the maximum net head on the

Holtwood plant, that deflection wall was built from elevation 116 to approximately elevation 128 for the northern part, that is the heavy section near the abutment of the main dam, and the southern end, that is the end abutting on Piney Island, was completed to its full height of elevation 151.

Q. Completed when, Mr. Gunn? [7943] A. During the period of months that we are now describing, which is from April, 1908 to October, 1908.

During that same period the concrete abutment at the end of the forebay ramp was constructed. There was work done on the excavation for the fishways and for the approach tunnel at the power house.

In addition there were substantial shipments of sand from the Charleston sandpit and crushed stone from the Conowingo Quarry during August and September of 1908, and that was for use in making the concrete for construction of the deflection wall.

From November, 1907, through October, 1908, Hugh L. Cooper, Sanderson and Porter, General Electric, and to a lesser extent Trowbridge and Ackerman were engaged on completion of the drawings relating mostly to power house and equipment.

The coordination of this drawing work between the different organizations was handled by J. W. Young who was connected with the McCall Ferry Power Company.

During August and September of 1908 final drawings were being approved for construction. During October, 1908, it was a period during which the final details on the drawings were cleaned up, I believe that work terminated.

[7944] By MR. HALL:

Q. During the year 1907, and prior to November 1, 1907, didn't the number of men engaged in construction work range from 1,500 to 2,000? A. It may have, Mr. Hall. As I said, I don't have that. The information I

have is not in terms of number of [7945] personnel but dollars per month of personnel payroll. It is a fact that the information I have with respect to the monthly payrolls would indicate that if the maximum number of men during 1907 was 2,000, then the minimum number of men would have been, I believe, somewhere around 1,500.

Q. As shown by the last sentence in the first complete paragraph on page 73 of Exhibit 26, the construction force was reduced to approximately 100 men on November 1, 1907. Is that right?

THE WITNESS: Yes, it is so stated on page 73 of Exhibit 26.

[7946] Q. The suspension of work was in accordance with the resolution of the McCall Ferry executive committee held on October 30, 1907, which ordered the work suspended in accordance with schedule "A" of a report to Dimock, signed by Kirkland and approved by Cooper?

THE WITNESS: I believe that is correct.

By MR. HALL:

Q. Didn't the plan of the executive committee provide for a complete cessation of all construction work? A. When.

Q. November 1, 1907? A. It is my recollection that work would be curtailed as fast as it could be consistent with the protection of the company.

MR. HALL: Mr. Examiner, may we have marked for identification as Exhibit No. 177, the report to which I referred a moment ago as having been signed by Kirkland and approved by Mr. Hutchinson, which report is dated October 30, 1907, and was copied from the minutes of the executive committee of McCall Ferry Company?

[7947] (Thereupon, the document referred to was marked Exhibit No. 177 for Identification.)

. . .

Mr. HALL: Before proceeding further, Mr. Examiner, may we also have marked for identification as Exhibit No. 178, a letter written by Mr. H. A. Hand, of I. P. Morris & Company to Mr. Kirkland, vice-president and general manager of McCall Ferry Power Company? The letter is dated January 11, 1908, and was copied from the minutes of the executive committee of McCall Ferry Power Company held on January 17, 1908.

. . .

(Thereupon, the document referred to was marked Exhibit No. 178 for Identification.)

. . .

[7948] By Mr. HALL:

Q. Provision was made, Mr. Gunn, for the retention of certain salaried employees and for the costs to clean up and put away the plant at McCall Ferry in order to preserve it from damage during indefinite suspension of the work? A. Yes, I believe that was the plan, or at least one of the plans which was before the executive committee. If you refer to Exhibit No. 177 which you have just introduced you will find that Hutchinson there strongly recommended two plans—one which involved immediate shut-down as quickly as possible, and another which would retain a skeleton organization sufficient to permit McCall Ferry to resume work as quickly as possible, and that it was the latter plan which Hutchinson strongly recommended. I don't recall which one of these plans McCall Ferry executive committee actually adopted, but the facts are that beginning in November the construction [7949] payroll of McCall Ferry Power Company reduced from

\$9,000 in the month of November down to a little more than \$2,000 in the month of March. Then some time during that period McCall Ferry Power Company had succeeded in raising some more money, and beginning in March the construction payroll increased to a maximum in July and August of about \$33,000 a month. So if they did adopt a plan in November to indefinitely shut down the project, there was a change in the plans some time prior to March, because in March they rapidly started resuming work and on an extensive scale.

Q. Mr. Gunn, you referred to \$9,000 as representing the payroll for the month of November. Isn't it a fact that that payroll for that month was \$60,000? I am speaking now of total payroll of McCall Ferry Power Company.

• • • Perhaps I am wrong about that, Mr. Gunn. The \$60,000 refers to the payroll paid in November for the month of October. A. I don't have that figure before me but it sounds as though that might be the right amount.

Yes, the records I have indicate that the field payroll was 60-some odd thousand dollars for that month.

Q. Some of the supervisory and clerical employees of [7950] McCall Ferry were retained at half pay after November 1, isn't that so? A. I believe that is correct. There were some abnormal pay arrangements made. I don't know whether it was half pay or something else.

• • • MR. HALL: Mr. Examiner, may we have marked for identification as Exhibit No. 179, a letter dated November 26, 1907, written by J. P. Allen, purchasing agent for McCall Ferry Company, to J. W. Kirkland, vice-president of McCall Ferry Power Company?

The letter was copied from file No. 3951-2, and it is dated November 26, 1907.

In connection with this letter, Mr. Examiner, I might say that paragraph 1 refers to a statement show-

ing the number of men at McCall Ferry employed each day during the month up to the 22d of November, 1907.

The statement which I desire to include with Exhibit 179 was not contained in the same file with the letter, but it was attached to McCall Ferry Voucher No. 195 dated December 1, 1907.

[7951] It definitely appears that this statement referred to in paragraph 1 of the letter is the same statement which I have attached to the letter and which was attached to McCall Ferry voucher No. 195.

TRIAL EXAMINER: The letter dated November 26, 1907, will be marked Exhibit 179 for Identification.

(The document referred to was marked Exhibit No. 179 for Identification.)

TRIAL EXAMINER: The statement of men employed—referred to by counsel—will be marked Exhibit 180 for identification.

(Thereupon, the document referred to was marked Exhibit No. 180 for Identification.)

[7952] By MR. HALL:

Q. Mr. Gunn, is the 730 yards of concrete referred to in the second paragraph of Exhibit 179 the same 730 yards of concrete to which you referred a few moments ago?

A. Yes, sir, it appears to be. That was one source of my information as to the amount of concrete.

Q. What construction work was done during the month of December, 1907, and January, 1908? [7953] A. I don't have before me complete details of what may have been done but from what information I do have it indicates that during the months of December and January forms were stripped from the skimmerwall, and during the month of December the east protection cribs, which are a part of the skimmer wall, were filed, construction locomotives and

cars were repaired, derricks no longer needed where they were then located were taken down, the debris of construction was cleared away on the York County side of the river, and the boilers of some of the construction equipment was painted.

Q. In other words, during those two months the work consisted of cleanup and maintenance work? A. No, I wouldn't say so.

Q. What work would not fall in that category? A. It consisted of cleanup work necessary to any construction operation, and the work to which you have referred as maintenance is normally a continuing part of the work essential to the continuation of a construction project. In other words, every so often construction equipment must be painted. McCall Ferry construction equipment was painted at this particular time.

Q. But they don't shut down the job to paint the equipment? A. Oh, no. For example, at Safe Harbor we didn't shut [7954] down the job to paint the equipment. We waited until the job was finished and then charged it to cost of construction of the project.

. . .

[7955] By Mr. HALL:

Q. Mr. Gunn, I show you a letter dated January 18, 1908, written by C. A. Coffin to Cary T. Hutchinson, McCall Ferry Power Company, 60 Wall Street, New York City. Are you familiar with that letter? The letter was copied from Company file number 35.

. . .

TRIAL EXAMINER: The reporter will incorporate the letter into the record as if read.

MR. HALL: The letter reads as follows:

"McCall Ferry Power Co.

"(Copied from Co. File #35)

"New York Office, 44 Broad St.

"January 18th, 1908.

[7956] "Mr. Cary T. Hutchinson,

"McCall Ferry Power Company,

"#60 Wall St., City.

"My Dear Dr. Hutchinson:—

"Will you please send by bearer figures covering expenditures on the McCall Ferry Power Company's property for November and December, and the weekly expenditures since January 1st, with an estimate of what will need to be spent from now on?

"In view of the long time which has elapsed since active work at McCall's Ferry was suspended, it would seem that things had reached a point where only two or three caretakers are necessary. Should not the foreman in charge be instructed to discharge all the laborers except just enough to serve as watchmen?

"Very truly yours,

"(S.) C. A. COFFIN,

B."

By MR. HALL:

Q. Are you familiar with that letter, Mr. Gunn? A. I believe I recall having seen it.

Q. That was one of the letters you considered during your original cost study? A. Yes, sir, I think that is probably correct.

Q. On Page 74 of Exhibit 26, Mr. Gunn, after mentioning [7957] the receipt of funds from Knickerbocker Trust Company you state, "With this money construction proceeded and transmission line rights of way were acquired."

When you say that construction proceeded, just what construction work are you referring to? A. Construction work that I described in an answer to a previous question. That is excavation of a tailrace, construction of the deflection wall, and completion of drawings, the latter by Cooper, Sanderson and Porter, General Electric Company, and Trowbridge and Ackerman during the months of April to October, 1908. There were some minor items of work but those were the major ones. The work on the drawings by the various firms I mentioned continued from November 1, 1907 through October, 1908.

Q. Mr. Gunn, didn't the executive committee of McCall Ferry on January 29, 1908, authorize the discharge of the entire force of McCall Ferry and Conowingo Quarry and the engaging of watchmen to protect the project?

[7958] THE WITNESS: I don't recall. They may have.

By MR. HALL:

Q. I show you a letter dated January 27, 1908, written by J. W. Kirkland, vice-president of McCall Ferry Power Company to C. A. Coffin, General Electric Company, 44 Broad Street, New York City. This letter was copied from Company file No. 25.

MR. HALL: The purpose of this letter is to show the activities being carried on prior to the date of the letter, January 27, 1908, and subsequent to November 1, 1907.

TRIAL EXAMINER: The reporter will copy the letter into the transcript as though read.

(The letter referred to above is as follows):

McCall Ferry Power Co.,

(Copied from Co. File #35)

"January 27, 1908

[7959] "C. A. Coffin, Esq.,

General Electric Co., 44 Broad St., N. Y. City.

"Dear Mr. Coffin:—

"Answering your letter of January 21st., I enclose herewith a list of the staff and foremen at McCall Ferry and their rates of pay. In addition to these men of the foremen class there are about fifty laborers on full time at an average rate of about \$0.22 per hour.

"Of the \$1400. estimated weekly expenditure, \$1350. is for payrolls and \$50. is for expenses.

"These foremen and workmen have been usefully employed in cleaning up and repairing machinery which was worn or defective, and in taking up tracks and timber which were liable to damage and destruction by floods or neglect. The expenses incurred have been those which Cooper estimated as necessary to make the plant safe for an indefinite suspension, and you may recall that he stated this necessary expenditure to be \$20,000. Instead of doing all that work by a big force in November and part of December, it has been done by a small force with the idea of conserving for as long a time as possible the working organization, so that the work could be promptly and economically resumed.

"Yours very truly,

Vice-President."

Enc. JWK/G.

[7960] By MR. HALL:

Q. Do you know that the executive committee of McCall [7961] Ferry on February 5, 1908 authorized the retention of Cooper's force at McCall Ferry at half pay?

A. At about that date some such arrangement was made for the retention of a certain part of Cooper's personnel, but I don't recall whether it was on February 5, 1908 or not.

. . .

Q. Wasn't the work done in the spring and summer of 1908 limited in extent and conditioned on the amount of money available at that time? A. Yes, I believe it was limited to some extent to the amount of money available.

Q. Do you know how much money then was available?

. . .

THE WITNESS: Early in 1908 there became available to McCall Ferry Power Company the balance of the loan from Receivers of Knickerbocker Trust Company, which amounted to \$345,000.

Later on in 1908 an arrangement was completed under which McCall Ferry Power Company borrowed \$400,000 from several of the people, several of the firms who had been principally interested in the enterprise.

By MR. HALL:

Q. Isn't it a fact that the \$400,000 loan was not made [7962] until October, 1908? A. Yes, sir, I believe that is correct.

Q. At that time the work on the tailrace excavation had been completed. Right?

. . .

THE WITNESS: No, I don't think that is correct, Mr. Hall.

By MR. HALL:

Q. When was the \$400,000 loan obtained? A. According to the information that I have before me it was early in October of 1908.

~

TRIAL EXAMINER: October 28¹

THE WITNESS: That is correct. It was October 28, 1908.

It is also true that by the end of October, the work on the tailrace was very nearly complete because, in the month of September, the field payroll which at that time was substantially devoted to the tailrace excavation had been \$27,400; during the month of October it was \$19,800; during November, 1908, the payroll was \$31,000, and then during December it dropped to \$1100, and from there on it ranged just under \$1,000.

By MR. HALL:

Q. Isn't it a fact Hutchinson reported to the executive committee of McCall Ferry on October 20, 1908; that work on Culley's cut was completed on October 15, 1908? [7963] A. I really don't recall whether he did or not.

Q. Wasn't the tailrace work the same work which was supposed to have been completed by H. S. Kerbaugh, Inc., before January 1, 1907? A. Yes, it was the same work for which Kerbaugh had a contract, but due to the abnormal flow in the river during the period of time in which Kerbaugh would normally have done the greater part of this work, the dam was flooded and with it all of his equipment and there were several months when he could do no work at all. Then McCall Ferry became dissatisfied with the progress that Kerbaugh was making and took the contract away from Kerbaugh and arranged for Kerbaugh to turn his equipment over to Cooper, for Cooper to take over the tailrace excavation.

Q. Did McCall Ferry work on that excavation to some extent from April to July of 1907?

[7964] A. I have referred to Page 67 of Exhibit 26, the last full paragraph on that page, which states the substance of your question.

Q. Before the suspension of work on November 1, 1907, it had been planned to complete the excavation of the tailrace during the fall of 1907 while the rest of the construction was proceeding. Isn't that so? A. Yes, I believe that had been the plan. It was highly desirable that that be done.

. . .

[7965] By Mr. HALL:

Q. Look at Page 301 of Exhibit 27, Mr. Gunn. A. I don't believe you can quite make that broad a statement, Mr. Hall. It is true that in the early fall of 1907 the York County Coffe Dam was closed, and it was therefore necessary to pass the flow of the river through the tailrace.

It appears from Mr. Cary T. Hutchinson's letter of November 26, 1907, to Mr. Henry F. Dimock, President of McCall Ferry Power Company in the second paragraph that they expected to proceed with the work in the tailrace cut during the month of December and perhaps as far into the spring as the flow of the river would permit them.

However, I don't take that to mean that Hutchinson or anybody else expected that during that time and in that limited season they could complete the tailrace work.

. . .

[7966] THE WITNESS: I think perhaps we had better add that the letter of November 26th from Cary T. Hutchinson to Henry F. Dimock appears beginning on Page 301 of Exhibit 27.

By Mr. HALL:

Q. Construction of the powerhouse itself and the main dam was not re-opened in 1908, was it? A. Not to any serious extent. However, during 1908 design work on drawings was continued.

Q. No steps were taken in 1908 to have the machinery contractors start work anew on the fabrication of the project machinery, right? A. Not so far as I know.

Q. The work on the tailrace excavation was authorized on April 20, 1908, by the executive committee of McCall Ferry, was it not? A. It was authorized, I presume, at some date near that. I don't recall the specific date. In any event, shortly after that date it did start.

Q. Some time would be necessary, however, to prepare for re-establishing the plant so actual work in connection with the tailrace would not begin until several weeks thereafter, right?

. . .

THE WITNESS: No, I don't think that necessarily follows [7967] at all.

By MR. HALL:

Q. Hadn't the construction plant been more or less put away at the time of the action of the executive committee?

A. No, it had simply been left in the storage area and protected. There had been no construction plant in the tailrace prior to that date, so the operation on resumption of work in the tailrace would obviously have been necessary no matter when they started it, and obviously would be an appropriate part of the cost in the tailrace.

Q. But the preparation for the tailrace re-opening would have gone on while the other construction was in progress. Isn't that so? A. I don't believe I understand that question.

Q. Under normal course of events. A. You mean if there had not been a cessation of work?

Q. Yes. A. That preparation of the equipment and moving of the equipment into the tailrace cut would have gone on coincidental with the other work?

Q. Yes. A. Yes, I think that is true. We discussed the fact that that could have been done in some detail, and we also discussed the consequences expensewise if it had been done, [7968] that is that it would have caused confusion and increased expense of doing the work.

Q. Wouldn't the Coffor Dam have to be re-erected, still further postponing the actual excavation?

THE WITNESS: What Coffor Dam, Mr. Hall?

By MR. HALL:

Q. Wasn't a Coffor Dam required for the tailrace?

A. Several of them were.

Q. Wasn't it necessary to re-erect the Coffor Dams in order to proceed with the work in 1908? A. No. The principal Coffor Dam which had been required for the tailrace excavation was the upstream Coffor Dam. It is my understanding that construction on the powerhouse had progressed to a point which made it unnecessary to ever re-erect that Coffor Dam. As a matter of fact, shortly thereafter, or perhaps during the tailrace excavation, that Coffor Dam was removed, what remained of it.

It may be, Mr. Hall, you are referring to rather small Coffor Dam at the lower end of the cut which prevented water backing up into the cut and which already had been wrecked by the flood which washed Kerbaugh out of the cut.

Q. Wasn't it necessary to re-erect that Coffor Dam?

A. That one?

[7969] Q. Yes. A. To be sure, it was necessary to re-erect that after the flood no matter when you did it. But there was nothing especially peculiar about the re-erection at the time it was made.

Q. And work on the tailrace could not proceed until that Coffor Dam had been re-erected? A. Yes, that is the reason for several months' delay of any work at all on the tailrace by Kerbaugh after he was flooded out, and before Cooper took over for McCall Ferry and did what little work Cooper did in 1907.

MR. HALL: May we have marked as Exhibit Number 181 for Identification a letter dated April 13, 1908,

written by Hugh L. Cooper to Cary T. Hutchinson, Chief Engineer, McCall Ferry Power Company? The letter is copied from Company File 3951-3.

(The document referred to was marked as Exhibit Number 181 for Identification.)

[7970] By MR. HALL:

Q. Mr. Gunn, according to Exhibit Number 181 for Identification the total amount of money to be spent for the excavation work was relatively small, isn't that so, in comparison with total cost of that plant?

TRIAL EXAMINER: What does counsel mean? What are the amounts to which you refer?

THE WITNESS: I think, Mr. Examiner, he is referring to the amount used for Culley's Cut, and this letter, which is Exhibit 181, seems to be somewhat confusing to me. It states that about \$150,000 will be needed for Culley's Cut. Then it recites two other items which will be needed, one of which is \$4,000 that Cooper says is appropriately charged to Culley's Cut. Then the second item is \$10,000.

However, the total estimate contained in the letter of April 13th is \$194,000, and if you subtract \$10,000 from that it looks like there would be \$184,000 instead of \$154,000 to apply to Culley's Cut. In any event that is the order of magnitude of the figures.

I don't recall what the actual cost was, but at least that was Hugh L. Cooper's estimate of what it would be on [7971] April 13, 1908.

[7974] Q. But the total cost of re-establishing the plant was ten thousand dollars; right? A. Cooper so states. I don't know what he meant by re-establishing the plant even for the other six thousand dollars. It may very well have been of the same character and a necessary expense whether there had been a cessation or not.

Q. On October 21, 1908, the McCall Ferry executive committee authorized the discharge on November 1, 1908, of the entire force at McCall Ferry, Conowingo Quarry, and New York with the exception of a few supervisory employees. Isn't that right? A. I think that very well may be true, in any event shortly after October 21, they were discharged.

Q. No further work was done until the receiver from McCall Ferry reopened the project in 1909. Isn't that so? A. That is correct. No work of any substantial volume was done between those dates.

Q. When did construction work get fully under way under the receiver? A. Well, it was begun in July, 1909.

Q. What work was done in July, Mr. Gunn? A. I don't have the details of it before me.

Q. Isn't it a fact that no work was done in July, 1909?

[7975] THE WITNESS: I don't know whether it is or not, Mr. Hall. I believe there was some preliminary work. It is a fact no significant volume of work was done in July of 1909, July of 1909 is simply time they were engaging in the preliminaries to get the work started.

By MR. HALL:

Q. Who engaged in the preliminaries? A. The Receiver, as I understand it.

Q. The Receiver's contract with Empire Engineering Corporation was dated August 16, 1909. A. I believe that is correct.

Q. Much work had to be done to get ready to start up construction again on the project. Isn't that so? A. No, I don't think so. No information that I have indicates that to be a fact.

Q. Had all the equipment and so forth been placed in storage? A. No, Mr. Hall. So far as I know the only thing which had been done was that part of the equipment had been placed on the construction area, painted, lubricated and left there, and the construction plant of the sort

they had at McCall Ferry certainly didn't require any sort of time or effort to get it started. It consisted of locomotives, [7976] locomotive cranes, dump cars, drilling equipment, all of which as a matter of practical fact could be started up in a few hours.

Q. Isn't it a fact that little work was done prior to September, 1909? A. I don't have any facts before me, Mr. Hall, which would indicate that.

THE WITNESS: It is a fact the volume was not very great, Mr. Hall, because the total cost of it was only about ten thousand dollars prior to that date.

By MR. HALL:

Q. And that ten thousand dollars included the salaries of watchmen, supervisors, and so forth. Right? A. I suppose so. They were paid somehow.

Q. Mr. Gunn, I show you a letter dated September 21, 1909 signed by Wm. Barclay Parsons, and addressed to J. E. Aldred, Receiver, McCall Ferry Power Company. The letter was copied from Company file 3951-4.

Are you familiar with that letter? A. Yes, I am familiar with that letter.

[7977] TRIAL EXAMINER: The reporter may incorporate the letter into the transcript as though read.

(The letter referred to above is as follows):

(Copy)

EMPIRE ENGINEERING CORPORATION,
New York,

September 21, 1909.

"Mr. J. E. Aldred, Receiver,
McCall Ferry Power Company,
24 Exchange Place, City.

"Dear Sir:

"The amount of work done by this Corporation at McCall's Ferry during the month of Au-

gust was comparatively so small as not to call for any special payment to us. By the end of September, however, a considerable amount of work will have been accomplished, and I think it would be well to establish between now and the end of the month a system of reports so that the amount expended for labor and materials, and other work, can be fixed, and the moneys due this [7978] corporation for services as engineers of construction be determined and adjusted. I will be very glad to take this matter up with you at your convenience."

"Very truly yours,

(S.) WM. BARCLAY PARSONS,
President."

. . .

[7979] Q. Mr. Gunn, I believe you testified that you have used six per cent as reasonable rate of interest in computing your interest during construction and have used a construction period beginning April 1, 1905; to October 1, 1911. Right? A. Yes, sir, I have so stated.

Q. I take it that in your opinion the six per cent method would be reasonable regardless of what construction period the Commission may use?

. . .

Q. THE WITNESS: If you were to take that you would be making the biggest mistake you ever made.

By MR. HALL:

Q. What do you mean by that statement, Mr. Gunn?

A. I mean you would be completely wrong, and without any doubt. The selection of six per cent as a method of interest is connected with and inseparably connected with the selection of the construction period.

Q. Assume that you used the same construction period utilized by the Staff. What effect would that have on the [7980] six per cent rate which you used in your computation

of interest during construction? A. I would think the selection of such a construction period, presumably on the basis it represents a realistic construction period, would necessarily carry with it the use of a realistic rate of interest during construction for the Holtwood project at the time the Holtwood project was constructed, and it most assuredly would not be six per cent but it would be very substantially greater.

Q. Why did you select six per cent for the purposes of your computation? A. Because six per cent, when taken together with the construction period actually incurred, seemed to me to result in a reasonable overall amount of interest during construction of this project.

Q. I believe you testified that you considered the six per cent rate to be a reasonable one in connection with the construction period you have used in making your original cost claim. Right? A. That is right.

Q. Is it your position that the interest rate varies with the varying lengths of construction period? A. No, not at all, but this is my position rather, Mr. Hall: There was an actual construction period at Holtwood. It extended from 1905 to October 1, 1911.

[7981] It is true that had the company not encountered financial difficulties the project might have been built in a shorter period of time.

It is also true that a proper rate of interest for a project entailing the risks of the Holtwood project at that time was obviously substantially greater than six per cent.

Now, you have several alternatives for arriving at a reasonable overall amount of interest during construction. You could take a realistic rate of interest, and, let us say, a construction period which might have been accomplished had there been no difficulties of any sort, and make a calculation, and you get a certain amount of interest during construction.

If you were to take the same high rate of interest and apply it to the construction period actually experienced,

you would get a much greater amount of interest during construction.

Now, it seemed to me that it was appropriate to take the actual construction period as experienced and apply to that such a rate of interest as would result in a reasonable overall amount of interest during construction and a six per cent rate appeared to accomplish that result.

That, of course, results in using the actual period of construction and what we may call a synthetic rate of interest for that project at that time. The other alternative was to [7982] use a synthetic construction period and the actual rate of interest during that time, and since one alternative had to be selected I selected the one I have used.

Q. You referred to actual construction period. By that you meant, I take it, the construction period which you determined for the purposes of your original cost determination? A. Yes, sir.

. . .

[7984] By MR. HALL:

Q. Mr. Gunn, at transcript 7962 you referred to the McCall Ferry payroll in November of 1908 as totaling \$31,000. Is that the correct figure for the month of November? A. No, sir. That should be \$3100.

Q. What was the payroll in April, May and June of 1908? A. In April it was \$4700; in May it was \$12,400; in June it was \$14,800.

These figures of which we are speaking are field construction payrolls.

Q. Do you have the payroll figure for the month of October, 1907? A. No, I do not. The first month I have before me is November of 1907.

The figure, I believe, for the month of October 1907 was slightly over \$60,000.

Q. What amount did you determine to be Penn Water's claim for interest during construction to October, 1911? [7985] A. \$2,489,026.01.

Q. Is that the reasonable overall amount of interest during construction you considered in determining your interest rate?

By MR. HALL:

Q. I am limiting that, Mr. Gunn, to the period up to and including October 1, 1911. A. That is the amount of interest which I concluded was a reasonable overall amount of interest. Of course, I considered various amounts of interest by alternative plans of computing interest for that period, and as a result of the consideration of the various amounts and various methods of calculation, various rates and various construction periods, I concluded that this was a reasonable overall amount of interest.

Q. Are you saying that in connection with your computation of interest during construction you considered different [7986] construction periods and different rates of interest, and that different rates of interest applied to different construction periods? A. Yes.

Q. Did you, however, consider the same total overall interest claimed as being applicable to all periods? A. No, I can't say I went at it just that way, Mr. Hall. What I did was to make a series of calculations at different rates of interest using different construction periods, and I considered all of those, and their characteristics, and came to the conclusion that the actual construction period as incurred, taken together with a six per cent rate of interest, produced a reasonable overall amount of interest, and that figure is the figure I just mentioned, \$2,489,026.01.

Q. Did your other calculations produce approximately the same overall amount of \$2,489,026.01? A. That or more.

Q. Will you tell us what other construction periods you considered and the rates of interest you deemed applicable for those periods? A. I did not select a single rate of interest for the other construction periods. What I did for the other construction periods was to compute

a series of interest rates ranging from six to ten per cent. Having made a first [7987] calculation to determine the time form of the interest pattern it was simply a matter of computing the remainder of the interest calculations as a simple proportion. As a matter of fact it can very readily be computed and I did compute them graphically.

Q. What other construction periods did you consider?

A. Well, I considered what would be the result if the dates December, 1907 to August 1909, were eliminated from the construction period. I considered another construction period which would eliminate the time from active construction December 1907, to April, 1908, inclusive, as well as November, 1908 to August, 1909, inclusive.

. . .

THE WITNESS: Still another construction period that was considered was one derived by eliminating from the period of active construction the time between November 1908 to August, 1909, inclusive.

. . .

THE WITNESS: Another calculation which was made was based upon the actual construction period as it occurred from 1905 to October, 1911, without any elimination at all.

. . .

[7988] Q. What rate of interest did you associate with the elimination of the period from December, 1907 to August 1909? A. I made calculations at rates of interest all the way from six per cent to ten per cent.

Q. Which interest rate did you consider to be more applicable to that period? A. I would say that the interest rate for that period ought to be somewhere between at least nine or ten per cent. The reason why I say that is that if you were to make that total elimination you would be deriving what I suppose you would describe as a realistic construction period, and departing from the construction period, which was actually incurred. In that event

it seems to me that you ought to use a realistic rate of interest which would be applicable to the risks and uncertainties in a project such as Holtwood was during the period of time we are discussing.

Q. Is it your opinion that a realistic rate of interest is something different from the actual interest costs incurred? A. That would go back, Mr. Hall, to what is the concept of interest during construction. I realize there are two of them. However, they are not far apart. I believe some people view the rate as the bare bones cost of money; others view it as income foregone, during the period of construction.

The difference between them would be whatever is appropriately allowed in the rate of return over and above the so-called [7989] bare bones cost of money. I don't know just how much that would be, but theoretically it is something.

[7990] Now, if you are going to view interest during construction as the bare bones cost of money, then it would be the cost of money if and when the cost of money is correctly computed.

Q. Which concept did you deem to be applicable for the purpose of your determination? A. Because of the method I have used it was not necessary to reduce it and identify it as either one.

Q. Did you? A. No. My inclination is to say that proper interest during construction is income that is foregone, rate of income foregone during period of construction.

Q. When you refer to rate of income foregone you are referring to income which would have been realized had the plant been in operation. Is that right? A. Yes, sir.

Q. That concept controlled your thinking in connection with your interest determination of the reasonable amount of interest, amounting to \$2,489,026.01, right? A.

Well, it certainly influenced it. I don't know you could say it controlled it.

Q. In other words, your determination was not made on the bare bones cost of money? A. No, although, as I said, the two figures when properly determined would not be very far apart, and because [7991] of the method I have used I don't think you could say that it is inseparably and inflexibly tied to either one of the concepts.

Q. Mr. Gunn, what was the total amount of interest you arrived at by using rates ranging from nine to ten per cent and eliminating the period from December 1907 to August 1909? A. The interest computed for that period at nine per cent was about \$2,650,000 and at ten per cent it was about \$2,950,000.

Q. What was the least rate of interest you considered in connection with the elimination of the period from December 1907 to August 1909? A. I would say that I didn't give any serious consideration to anything below nine per cent.

Q. Didn't you testify a few minutes ago that you gave consideration to rates ranging from six to ten per cent for the period? A. I don't think I did. I believe at that time I was explaining the range over which I had made calculations. You are now asking me the range which influenced, or which had substantial influence, on my determination of interest during construction.

Q. Was six per cent the least rate at which you made a calculation for that period? [7992] A. Yes, six per cent was the lowest rate at which I made calculations for any period, and I made calculations at six per cent for all periods for the purpose of getting the time pattern of the interest of it.

Time pattern of the amount of interest and from which I interpolated the amount of interest at all other rates.

Q. What total amount did you arrive at for that period using six per cent? A. The total amount I computed for that period?

Q. Yes. A. \$1,660,000.

Q. Mr. Gunn, does the nine per cent calculation amounting to \$2,650,000 represent what you considered would be the net income from the plant had it been in operation?

THE WITNESS: By "net income" you are referring to a figure before bond interest, are you?

By MR. HALL:

Q. What did you have in mind as to income when you arrived at the amount of \$2,650,000? A. I didn't have anything in mind. I had in mind determining the reasonable amount of interest during construction.

Q. Didn't you testify that that reasonable rate was [7993] based upon the income to be determined from project earnings? A. No, I testified that that was income foregone during construction, a rate of interest foregone, not a number of dollars of income, certainly.

Q. In other words, you figured that the project would be earning, for instance, nine per cent? A. I figured that the project, because of the risks entailed in the project at that time, was entitled to earn nine per cent.

Q. Was it entitled to earn nine per cent for any one of the construction periods that you have mentioned? A. Well, I think the project was entitled to earn nine per cent because of its risk at any time between 1905 and 1911. But in making the computation for interest during construction, which seems to me to lead to a reasonable overall allowance for interest, I thought it was appropriate to give recognition to the fact that because of the financial difficulties into which the project fell that a rate of interest less than that which it ought to have been entitled to earn should be used in the calculation, and I have used a lesser rate of interest purely out of recognition of the prolonged construction period, which construction period was prolonged because of factors wholly beyond the control of the company.

Q. What do you consider the project should be entitled [7994] to earn? A. Speaking now of a rate or total amount?

Q. Rate. A. I don't know. I haven't made any specific determination of it. It seems to me at that time it ought to have been entitled to at least nine per cent or perhaps more.

Q. Is your opinion that the project would earn nine per cent immediately upon completion? A. No. No hydro project can ever do that, but it is expected that the failure to earn the full entitlement in a rate of return immediately will be made up when the period during which the lag in earnings takes place by one of two methods: Either by including in the rate base the amount of the lag of earnings or by giving recognition to that factor in the rate of return allowed in the future after the plant has reached the economic position where it is economically able to earn it.

Q. Are you saying, Mr. Gunn, the project did not earn nine per cent for some years after completion? A. Yes, I think that is generally true of all hydro projects which make available a large block of power and which require a large expenditure of money initially, such as is entailed in low and medium head projects where long dams are required and extensive storage reservoirs do not result.

[7995] Q. But you believe that the rate of interest allowed during the construction period should be based upon the ultimate earnings realized from the project, right? A. No, that is not what I said. It seems to me that the rate of interest allowed for interest during construction ought to be based upon the rate of earnings which is required to attract capital to that enterprise in the face of the risks the enterprise entails.

. . .

[7996] By MR. HALL:

Q. Mr. Gunn, when you considered elimination of the periods from December 1907 to April 1908 and November

1908 to August 1909 what rates of interest did you consider in connection with that period? A. I made calculations for the construction period resulting from the elimination of those periods of time you just mentioned at rates of interest from six to ten per cent.

Q. Which rate within that range did you consider to be the most applicable to that period? A. I don't think I ever came to any specific conclusions as to what were the most applicable rates. I simply made the calculations to show what the range of interest during construction would be if those eliminations were made from the construction period and at the various rates of interest I have mentioned.

Q. Did those calculations enter into your consideration of the total reasonable amount of \$2,489,000? A. Yes, I suppose they had some influence on it, but I don't know just how or how much.

[7997] Q. You don't know to what extent they did influence that? A. No, because my conclusions were based on the totals of all of these calculations. I couldn't break down each period and each total and say what separate parts of them contributed to the conclusion.

Q. If you had eliminated the periods from December 1907 to April of 1908 and November 1908 to August 1909, what interest rate would you have considered applicable?

A. I would say an interest rate which, when taken together with the construction period resulting from the elimination you have just mentioned, would have made an interest claim about equal to the \$2,489,000 that I have claimed as a reasonable amount of interest.

[7998] Q. What interest rate combined with that period would produce the figure of \$2,489,000 approximately?

A. Somewhere between six and seven per cent.

Q. If you eliminated the period from November 1908 to August, 1909 from consideration, what interest rate would you associate with that period?

. . .

THE WITNESS: That also would be between six and seven per cent.

By MR. HALL:

Q. Six and seven? A. Six and seven per cent. In other words, the elimination of the short period of time between December 1907 and April 1908 does not have a very material effect on the interest rate.

Q. What total amount of interest did you arrive at by using the six or seven per cent by the elimination of the period from November 1908 to August 1909?

. . .

THE WITNESS: Using six per cent the total amount of interest would be about \$2,450,000. Using seven per cent the total amount of interest would be about \$2,870,000.

By MR. HALL:

[7999] Q. What total amount of interest would have resulted through the elimination of the period from December, 1907, to April, 1908, and November, 1908, to August, 1909, by applying the rates ranging from six to ten per cent? A. Six to ten per cent?

Q. Six to seven per cent. A. At six per cent the total amount of interest would be \$2,320,000, or thereabouts, and using seven percent the total amount of interest would be about \$2,690,000.

MR. KING: May we have that answer read?

(Answer read).

By MR. HALL:

Q. What was the smallest amount of interest at which you arrived by your various calculations?

MR. KING: You mean on all the periods considered?

MR. HALL: Yes.

THE WITNESS: All of the periods considered and all the interest rates considered?

By MR. HALL:

Q. That is right. A. About \$1,760,000.

Q. What was the largest amount arrived at? A. Again, considering all of the periods and all of the rates?

Q. Yes. [8000] A. \$4,200,000.

Q. Why did you reject the smallest amount of \$1,760,000? A. Because I thought it was improper.

Q. Why? A. It just seemed to me to be ridiculous.

Q. Why was it ridiculous? A. Because in arriving at that amount of money it is necessary to create a purely fictitious construction period and then turn around and apply to that a wholly fictitious rate of interest, both of which are lower than actually should have prevailed. The two taken together just makes a ridiculous answer.

Q. You mean that they would have produced an amount lower than the return which would have been made had the project been in operation? A. Subject to all the explanation I previously have given of that term, yes.

Q. Why did you reject the maximum of \$4,200,000? A. For exactly the opposite reason to why I rejected the minimum figure. It gave a ridiculously high figure. As a matter of fact, I think I ought to add that in making those calculations, those maximum and minimum figures merely resulted from the convenience of calculating, and it was obvious from the beginning they had no bearing on the problem.

[8001] Q. Mr. Gunn, why did you select the amount of \$2,489,000? A. Because after considering all of the facts we have been discussing I came to the conclusion that that was a reasonable overall allowance for interest during construction upon this project at the time it was built and under the circumstances under which it was built.

Q. Mr. Gunn, did you select the figure of \$2,480,000 because it represented a mean between \$1,760,000 and \$4,200,000? A. No, sir.

Q. Did that have any effect at all? A. No, I don't think it did. As I said before, those extremes were merely

the results of the convenience of calculation, and it was perfectly obvious that neither one of them had any appropriate bearing on the determination of interest during construction.

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[8003] By MR. HALL:

Q. What consideration did you give at the time of that decision to the actual interest costs which had been incurred by McCall Ferry and Peapack Water? A. I don't believe I gave any substantial consideration to it, Mr. Hall, because of the complications resulting from the receivership and all of the other abnormalities of the McCall Ferry Development. It seemed to me it was just a hopeless task to attempt to derive the cost of money. In the derivation of any such figure it would be necessary to just pile one assumption on top of another, and when you got through all you would have would be the product of a whole series of assumptions.

[8004] Q. Mr. Gunn, did you—— A. It seems to me in that connection, Mr. Hall, there is not more than one partial fragment of data which would give you any indication at all as to the interest, and that is the cost of the money borrowed from Knickerbocker Trust Company, which as I understand when correctly computed is approximately seven per cent, 6.9—something, I believe. The reason I described that as being only a fragmentary indication is because that represented only a small segment of the risk of the enterprise because of the guarantees that lay back of that loan as security.

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[8008] Q. However, there was no dividend paid on either the McCall Ferry common or preferred during the period of construction. Right? A. That is correct.

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[8013] Q. The interest on the Knickerbocker Trust Company loan was at the rate of six per cent with a commission of one-half per cent on the maximum amount of the loan. Isn't that so? A. Yes, sir, as I recall it that is correct.

Q. And the maximum amount of the loan secured from Knickerbocker Trust Company was \$4,449,600? A. I believe that is correct.

Q. Did McCall Ferry Power Company secure any cash from any other source during the period from April 1905 to October 31, 1907?

. . .

THE WITNESS: The only other funds in cash that I know of which McCall Ferry received was interest that they earned on their deposits. Of course, there might have been a small amount of revenue from McCall Ferry Company.

By MR. HALL:

Q. Just how small would that amount have been? A. Pretty small, I think. It was not a very big [8014] operation. They had only one or two ferries.

Q. About \$200 a year? A. I don't have the least idea what it was at that period but it was a small amount.

Q. The only bonds outstanding in the hands of the public prior to February 1, 1908 were the \$250,000 bonds issued to Harlow-McGaw for properties? A. Yes, I believe that is correct. Prior to that time the subscribers simply had receipts for their funds which I suppose had all the characteristics of the bonds, but the bonds themselves, as I understand it, had not been issued except those we gave to Harlow-McGaw in exchange for their property.

. . .

Q. Did you make any determination of the average interest rate paid for that period? [8015] A. No, and for the reason I explained early this morning. It was too complicated to compute a rate of interest which could be reasonably described as the true cost of money, and an effort to do so simply would result in piling up a large number of assumptions, one on the other, until you had an answer which had no particular significance. But, as I recall it, the staff by some sort of a mixture of figures arrived at six per cent as a cost of money. It seems to me that the

rate paid to Knickerbocker Trust Company for a fractional part of the project risk proved that is wrong, obviously.

Q. Mr. Gunn, let us check that last statement you made.

If we add the amount of \$4,449,600 advanced by Knickerbocker Trust Company at six per cent and the \$2,817,900 from subscribers at five per cent, we arrive at a total of \$7,267,500, right? A. Yes, sir, that arithmetic appears to be correct.

[8016] Q. That being the total cash available for construction purposes. A. Yes, that seems to me to be about the proper amount.

Q. Six per cent on the \$4,449,600 loan would result in an annual interest payment of \$266,976. Right? A. That appears to be correct. I will accept your mathematics on it.

Q. The commission on a loan of one-half per cent would amount to \$22,410 for a year. Right? A. Yes, sir.

Q. And five per cent on the advancements made by subscribers of \$2,817,900 would produce an annual interest cost of \$140,895. Right? A. I will accept that.

Q. Adding the \$266,976, \$22,410, and \$140,895, we arrive at a total of \$430,281. Right? A. I will accept your mathematics.

Q. If you compare the \$430,281 annual interest cost with the total funds available of \$7,267,500, we arrive at an interest rate of 5.92 per cent. Right? A. I will accept your mathematics on that, Mr. Hall, except I think you didn't mean compare but you meant if you divided the first figure by the second and multiplied by 100 you would get 5.92. Is that what you meant?

Q. Yes. [8017] A. Yes, the arithmetic seems to be correct on that so far as I know. I don't know what significance the figure has now that we have performed the arithmetic. It doesn't have any to me, certainly.

Q. Didn't the Knickerbocker Trust Company offer to extend the loan to any of the individual subscribers for an additional year beyond the three-year period at six per cent

upon payment of a second instalment of 20 per cent of the subscription price?

. . .

THE WITNESS: Yes, I believe that is correct, Mr. Hall. At least they offered to extend them for a year and they did charge a rate of six per cent. Whether they charged the bonus or not I really don't recall. I should think they ought to have extended that loan for less than six per cent.

A payment of another 20 per cent certainly made the risk less of a fraction of the project risk than it previously was.

By MR. HALL:

Q. Are you suggesting that the subscribers did pay a bonus in addition to the interest rate? **A.** I am suggesting I don't remember whether or not they did.

TRIAL EXAMINER: Counsel has given the witness figures [8018] indicating total advances by Knickerbocker Trust Company and total subscriptions from the subscribers.

OL Page 39 of Exhibit 51 those figures don't check.

MR. KING: Referring to page 39 of the text, Mr. Examiner?

TRIAL EXAMINER: Yes.

MR. HALL: Mr. Examiner, the figures on page 39 of Exhibit 51 apply only to the advances made up to November 1, 1907, whereas the figures used in Mr. Gunn's calculations, or my figures furnished to him, were derived from the appendix 3, page 73 of part 2 of Exhibit 51 and represent the total cash ultimately received from the bond subscribers.

. . .

[8041] **Q.** And in the year 1930 Penn Water also resumed the charging of interest to plant account. Isn't that so?

A. Yes, sir, in 1930 Penn Water formulated a definite procedure for charging interest.

Q. What has been the company's policy with respect to the capitalization of interest since 1930? A. The practice with respect to interest during construction which Penn Water adopted beginning with 1930 was [8042] to charge interest at $\frac{1}{2}$ per cent a month on construction expenditures on all jobs estimated to cost \$2,000 and to require more than one month in construction.

They terminate interest under that practice at the end of the month during which the facilities are available for service.

In the case of large projects involving land, interest during construction is charged to both construction expenditures and land acquisition cost.

In the case of acquisitions of land such as the purchasing of flowage rights for the Holtwood development after the project is in operation, the company does not charge any interest during construction on the acquisition cost of such lands.

Q. Is the policy you have just outlined the same as that which has been pursued by the company since 1930? A. Yes, sir.

Q. That is on its books? A. What is that?

Q. The policy pursued on its books in capitalizing interest. A. Yes, sir.

Q. And that policy is in effect today, right? A. Yes, sir.

[8043] Q. Has Penn Water paid as high a rate as six per cent since 1930 on any of its outstanding bonds? A. Not so far as I know.

[8044] Q. Why has Penn Water used a six per cent rate in charging interest to construction when it does not pay that high a rate on borrowed money? A. One of the biggest

reasons I know of is that the Federal Power Commission approved six per cent in the Safe Harbor case.

Q. That approval, of course, applied only to Safe Harbor. It had nothing to do with Penn Water's rate of interest. Isn't that so? A. It is a fact that it was approval of Safe Harbor. I wouldn't say it had nothing to do with a proper rate of interest for Penn Water. It seems to me like it had a very great deal to do with it.

Q. How do you arrive at that conclusion? A. Because they approved it for Safe Harbor.

Q. Is that the reason you used six per cent in so far as your computation of interest is concerned? [8045]

A. I take it, Mr. Hall, you are referring now to Penn Water's present practice in computing interest during construction, are you?

Q. Yes, since 1930, Mr. Gunn. A. Yes, I would say that was one of the biggest reasons. It seems to me that six per cent was an amount which commonly is used for interest during construction. As a matter of fact, in Safe Harbor we arrived at the interest in all sorts of ways. In the early part of Safe Harbor construction it was on short term borrowings, in which case the interest actually paid was put in, interest during construction. When the project was about half through a \$21,000,000 bond issue was sold and part of the proceeds for that were used to repay the short term borrowing and the remainder was available for construction over a considerable time in the future, and as long as the residue of the bond money available for construction in the future lasted, Safe Harbor charged the total amount of interest on the outstanding bond issue, and when that money was gone, that is the residue of the bond issue, Safe Harbor stock was sold to Penn Water and to Consolidated Company, and the proceeds of that stock were treated as the company's own funds, and the Federal Power Commission found, in the Safe Harbor case, that six per cent was an appropriate rate to apply to those funds or to the proceeds of the sale of stock.

[8046] I think our conclusion in Holtwood to use six per cent since 1930 was probably more influenced by the opinion of the Federal Power Commission that six per cent was an appropriate amount to use on the company's own funds than by any other single factor.

. . .

[8086] MR. KING: If your Honor please, while he is looking for that, I just wanted to state for the record that Mr. Eichhorn, the Secretary, and Mr. Bortner, the assistant secretary of the company, will be forced to be out of the hearing room tomorrow and Thursday due to the fact the company is having a board of directors meeting in New York. I previously stated these gentlemen, plus Mr. Chase and Mr. Wetzel, would be here all during Mr. Gunn's cross examination.

. . .

[8308] Q. Did Penn Water incur expenses in connection with the issuance and sale of capital stock during the period from 1923 to 1935, inclusive? A. I don't recall whether they did or not.

Q. Is there any means available to you from which you can refresh your recollection at this time?

. . .

THE WITNESS: Yes, I believe they did, Mr. Hall.

By MR. HALL:

Q. Are those expenses included in your claimed cost?

A. Yes, sir.

Q. Why were these expenses incurred? A. Because they were organization expenses under the provisions of the road and equipment accounts of the I. C. C.

Q. What is the total amount of those expenses which you have included in your claimed cost? A. Approximately \$82,000.

Q. Do you claim the total of \$82,000? A. Yes, sir.

[8309] Q. And there is no elimination at all? A. Well, the total figure was greater than \$82,000. The total figure

was \$82,963.12. Of that we are claiming \$81,906.59, and \$1,056.53 was eliminated in connection with the original cost study.

Q. Under what account have you classified your claim of \$81,906.59? A. 301, I understand.

Q. Mr. Gunn, in view of the fact that these expenses were incurred during the years 1923 to 1935, how can they be classified as organization expenses of Penn Water?

A. To me they are proper when consideration is given to the fact that the Interstate Commerce Commission Account No. 71 is a part of the uniform system of accounts.

Q. Doesn't that organization expense account No. 71 refer to organization expense at the time of the organization of the company? A. I don't think it is limited to that.

Q. What does "Organization" mean to you if it doesn't mean organization in that sense? A. That is one form of it.

Q. What is the other form you refer to? A. Issuance of additional stock, for example.

Q. Doesn't the account state, among other things, "This account shall include all fees paid to Government for [8310] the privilege of incorporation and office and other expenditures incident to organizing the corporation and putting it in readiness to do business"? A. It says that among other things. When you are increasing the capital stock of a company it seems to me you are increasing the scope of the corporation. In any event it was for that reason that I put it in this account.

[8312] By MR. HALL:

Q. Mr. Gunn, were any of the organization expenses amounting to \$81,906.59 which you claimed incurred in connection with the organization of the corporation in 1910—

A. No, not so far as I know. They were incurred in connection with the issuance of stock between the years you mentioned in your previous question.

Q. It is in no way related to the organization of Penn Water in 1910. Isn't that right? A. It is the extension of the organization which was made in 1910.

• • •

By MR. HALL:

Q. Where does the phraseology contained in account 71 cover extension of organization expenses? A. The whole of the account covers it. That seems to me to be the sense and intent of the account.

Q. That is the way you interpret it? A. Yes. If I hadn't I wouldn't have put the money [8313] where it is.

Q. Did you have any accounting assistance in reaching the interpretation you did? A. I probably discussed it with Mr. Eichhorn. As I recall the principal reason why I so classified it was because company counsel advised me that was proper. It was more of a legal matter than it was an accounting matter. As I recall it it was a rather complicated determination.

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Q. Wasn't an account in about the year 1909 opened up covering reservoir surveys? A. I don't recall whether there was or not. Regarding all of the land costs or reservoir expense incurred after 1910 the company's original cost study was made under my supervision by Mr. Bortner. Mr. Bortner has been the company's land and right of way agent for twenty years and he is thoroughly familiar with those items. I relied on Mr. Bortner's judgment of those items and accepted his recommendations. I do not have before me any of the details of those land transactions.

[8314] Q. Did you reach an independent conclusion as to those items? A. I accepted Mr. Bortner's recommendations.

Q. That is unresponsive, Mr. Gunn.

Did you reach an independent conclusion as to those items? A. I don't know. I accepted Mr. Bortner's recommendations. You can call that whatever you please.

TRIAL EXAMINER: The question is what process did you go through after Mr. Bortner brought in his recommendations. Did you analyze it?

THE WITNESS: I reviewed them generally and accepted them. I don't know what that constitutes.

TRIAL EXAMINER: Did you check them? Did you check the details and processes by which he arrived at the conclusions?

THE WITNESS: I checked the principles he followed, but I didn't undertake to check the details. Those land accounts, Mr. Examiner, represent thousands of transactions which took place over a period of thirty years, and it is a vast amount of detail. It was just wholly and completely impossible for me to check the details or to have before me or in mind the details now. I don't have them.

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[8323] **Q.** Mr. Gunn, has Penn Water built any of the storage reservoirs contemplated in the 1910 and 1911 investigations? **A.** No, sir.

Q. Do they contemplate building the storage reservoirs, building any storage reservoirs? **A.** They have no specific plans for it. I don't think you can properly say they don't contemplate it, but at least they have no specific plans for it.

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[8327] **Q.** Have you included in Penn Water's original cost determination an amount representing the cost of study made in connection with the roller dam which the company at one time contemplated building? **A.** Yes, sir, I believe that is correct.

Q. What is the amount of the claim?

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A. About \$4800.

Q. What investigation was made in connection with the contemplated building of the roller dam? **A.** An engineering investigation to determine the feasibility of using

a roller dam to accomplish the same purpose that it was—that ultimately proved best accomplished by the flashboard system presently used by the company.

Q. Isn't it a fact Penn Water had flashboards before the initiation of this investigation? A. Yes, sir, but they were unsatisfactory and were [8328] causing the company a vast amount of trouble with the land owners adjoining the Holtwood project, and several law suits resulted. The Water and Power Resources Board was permitting them to operate their flashboards on temporary permits and requiring annual reports to see they did not infringe the public interest in the shape of the landowners, and it was just a generally unsatisfactory situation which the company was required to correct.

Q. What period did the investigation cover? A. You mean that part of it related to the roller dam?

Q. Yes. A. The years 1914 to 1916, inclusive.

[8329] Q. Did Penn Water expect to correct the unsatisfactory condition by the installation of roller dam? A. They made the investigation for the purpose of determining if they could correct it that way.

Q. Could not the roller dam aggravate the water situation? A. No.

Q. Aggravate it so far as the adjoining landowners were concerned? A. No, certainly not. If it had not been so expensive it would be an ideal solution for it.

Q. How high did Penn Water contemplate building the roller dam? A. I don't recall that detail but I suppose it was up to something like four, four-and-a-half feet.

Q. Wasn't it 15 to 20 feet?

THE WITNESS: I don't recall it was that high. They may have investigated up to 15 feet but I don't recall investigation going that high. However, they very well in connection with the investigation may have.

By MR. HALL:

Q. Wouldn't a roller dam from 15 to 20 feet aggravate [8330] the situation with respect to the adjacent land-owners? A. If they hadn't gone out and bought more land it might have aggravated the situation, that is if the company hadn't done that.

Q. That would be true even of a roller dam of 10 feet. Isn't that so, Mr. Gunn? A. It might. I don't have enough particulars concerning the boundaries of the company's land to determine that offhand.

Q. To what account was the cost of this investigation charged on the books?

A. I think it was charged to account known as flash-board account originally, and in the reclassification it was charged to the dam account.

Q. Originally wasn't it charged to Main Dam and Hydraulics, General Hydraulics? A. My records indicate, Mr. Hall, that \$1695.09 of the \$4819.02 was originally charged to general hydraulics. The remainder was originally charged to Main Dam Account.

[8331] TRIAL EXAMINER: That revises your statement about the flashboard account?

THE WITNESS: Yes, sir, I think so. The flashboard account itself is a part of the Dam Account.

By MR. HALL:

Q. Where did you put it in the reclassification? A. In the Main Dam account.

TRIAL EXAMINER: You kept it in the Main Dam account then in your reclassification?

THE WITNESS: That is what happened in effect, yes.

By MR. HALL:

Q. And the sub-account under the Main Dam account is Flashboards, right? A. Yes, sir.

Q. And it is in that account that you included the claim? A. Yes, sir.

Q. Does Penn Water propose building the roller dam? A. We have no specific plans for it at the moment. Penn Water might at some future time find it desirable to raise the Holtwood Dam, and in which event they might do it by building a roller dam.

Q. What type, Mr. Gunn? A. Roller dam.

Q. What type of roller dam? [8332] A. I don't know. As I said, we don't have any plans for it specifically.

Q. Have you included in Penn Water's original cost claim a contribution of \$1,400 made by Penn Water to the building fund of the Holtwood Presbyterian Church in March of 1913? A. I think I have, Mr. Hall.

Do you want to know why?

Q. Yes. A. Yes, I included it there.

Q. That was a contribution, right? A. Yes, sir. I don't know—it is also sort of complicated. It was originally planned by the company to deed the land on which the church was built to the trustees provided upon cessation of its use as a church the property would revert to the company.

However, the church rules prevented the deeding of it to the trustees. They couldn't accept the property and the \$1400 was used in the construction of the church, the title to which still belongs to Penn Water and Power Company.

Q. That amount of \$1400 never had been included in the Plant account until you made your reclassification, right? A. That is correct.

Q. Where was it charged prior to that time? [8333]

A. I think it was probably charged to Surplus back in the days when the original cost of the company's property was not so significant as it is now.

Q. What is the justification for capitalizing this contribution? A. Because it is a worthy expenditure for the House of God.

Q. Would you consider it a contribution made for the employees' benefit or welfare?

MR. KING: Contribution, did you say?

MR. HALL: Yes.

THE WITNESS: I should think that would depend, Mr. Hall, upon the quality of the church services rendered.

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[8335] By MR. HALL:

Q. Mr. Gunn, did the original three-party agreement between Penn Water, Safe Harbor and Consolidated contemplate the construction of the Riverside and Perryville Transmission Lines?

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THE WITNESS: I really don't know, Mr. Hall. I am not sufficiently familiar with the power contract to answer that question.

By MR. HALL:

Q. Can you obtain that information from one of your assistants? A. No, I don't believe there is anybody here who has any familiarity with it. The power contracts in the company are the responsibility of Mr. Spaulding. I really couldn't answer that question.

Q. Do you know when Penn Water began acquisitions for that line? A. Which line? I think you mentioned three or four [8336] of them, didn't you?

Q. Both of them, construction of the Riverside and Perryville Transmission Line.

In answering my question, Mr. Gunn, confine yourself to the Riverside Line. A. I am told the beginning of the acquisition of property on the Riverside Line was late in 1930.

Q. What customers were to be served by that line? A. Consolidated Gas Electric Light and Power Company of Baltimore.

Q. When was it originally expected that the Riverside Line would be built? A. It was originally expected that that line would be built immediately following completion of the Westport Line, perhaps in the latter part of 1931 and 1932.

Q. Why was it decided to defer construction of the line?

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THE WITNESS: I think perhaps there were several contributing factors, one of which was the economic situation which caused a decline in the load in Baltimore, and the other was the unexpectedly good service which was received out of the Westport Line.

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[8338] Q. Had a part of the rights-of-way for the lines been obtained when the decision to defer construction was made? A. Yes, sir.

Q. Why did Penn Water order the construction of seven tower foundations for the Riverside Line in 1932? A. Because at that time Consolidated Company was building tower foundations adjacent to Logan Field for a line of their own, and the construction of those foundations was quite complicated because of water conditions and required rather extensive construction plant. It was known that while Consolidated had their construction plant there for building their foundations that it would be cheaper at that time for them also to build Penn Water's foundations, which were in the water area, and along Logan Field.

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Q. When was the work on the foundations started? A. They were built in 1932. I don't recall just what date.

Q. Completed them in the same year? A. Yes, they were relatively short jobs.

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THE WITNESS: That is, Mr. Hall, they were completed as [8339] far as they were ever built. They were not complete foundations, as I understand it.

Q. Is it your understanding, Mr. Gunn, that five were completed, one partially completed, and one not constructed? A. Yes, I believe that is the fact.

Q. Why was the foundation work stopped?

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THE WITNESS: Because of complications which developed with the authorities concerning the use of Logan Field. Logan Field is an airport within Baltimore, its only airport.

By MR. HALL:

Q. What complications are you referring to now, Mr. Gunn? A. I don't have in mind all the details of it, but the City of Baltimore was using Logan Field as an airport. At the same time it was building another airport. The construction of the airport then in progress kept progressing slower and slower as it went on, thus forcing the City to continue using the Logan Field location.

The towers that the company had to construct in order to give sufficient ground clearance for the 230,000 volt transmission line conductors were such that they would obstruct the gliding angle of certain types of planes coming into and going out of Logan Field, and difficulty developed [8340] with the aviation authorities over that, and it led to the company's halting the construction they then had in progress.

Q. In 1937 when the Riverside line was finally built were all of the tower foundations built in 1932 used for the line? A. No, sir.

Q. How many were not so used? A. The records I have before me indicate that four of them were not used.

Q. How much did the unused foundations cost? A. About \$3600.

Q. Have these foundations ever been used by Penn Water for its transmission line? A. No, sir. By "These" you mean the ones I just mentioned—the four?

Q. Yes. A. No, sir, they have never been used.

Q. Have those foundations been abandoned? A. I don't know what you mean by abandoned. They have not been used. They never were used. I don't understand quite what you mean by "abandoned."

Q. Does Fenn Water have any plans for using those foundations? A. No, not so far as I know at the present time.

Q. Was the cost of these abandoned foundations ever [8341] removed from the plant account? A. Certainly not. They were part of the cost of the Riverside line and a justified part of it, I may add.

Q. They are not being used as part of the Riverside line. Isn't that so? A. It doesn't make any difference. It is still a justified part of the cost. Would you like to know why?

Q. Yes, why? A. For the same reason the Federal Power Commission withdrew its suit in the case of the quarry land and agreed to the settlement of that case which the company had appealed to the Third Circuit Court.

Q. Would you identify that case? A. That was the Safe Harbor Water Power Corporation's appeal from its original cost case in connection with some land which was bought for use as a quarry and was not actually used as a quarry.

Q. Can you refer us to any document which shows the reason why that appeal was withdrawn? A. I don't recall that there is any document, unless it would be in the Court record. However, I distinctly remember how it came about. It came about as a result of Mr. Milford Springer telling Commissioner Manley that it was impossible to defend the item, and Mr. Manley instructed counsel to get together with Safe Harbor's counsel and [8342] compromise the item and withdraw the suit. It was done. I participated in the conferences in which that was accomplished.

Q. Is the item to which you referred discussed in Opinion No. 18, or was it settled off the record? A. No. As

I recall it I believe the items certainly, when they were disallowed as cost, were discussed in the Commission's Opinions.

The settlement, however, was accomplished by some sort of a legal instrument which was drawn up between Mr. Hambright representing Safe Harbor Water Power Corporation and a member of the Commission's legal staff.

Q. At least in your opinion, Mr. Gunn, the reasoning used with reference to the quarry site allowance justifies your inclusion of the four abandoned foundations—right?

A. Yes, sir.

. . .

[8343] By MR. HALL:

Q. Isn't it a fact, Mr. Gunn that the unused towers represented only a temporary location and special permission was secured from the Dundalk Company, in July 1932, to locate these towers temporarily on their lands until a more direct route could be taken?

MR. KING: When you say "towers" you mean tower foundations?

MR. HALL: Yes.

THE WITNESS: Yes, it is my understanding that is a fact.

By MR. HALL:

Q. Do you know why Penn Water was temporarily unable to use the direct lines? A. Yes, because they obstructed the runway of the Logan Field airport.

. . .

Q. Didn't Penn Water expect conditions to change to allow it to build a more direct line and because of that fact secured only temporary permission? A. Yes, that was the explanation I gave you earlier when I said the City of Baltimore had under construction another airport and expected to abandon the use of Logan Field.

[8344] Q. Did Penn Water retain the crossing permit over Bull Neck Creek required for the more direct line? ✓

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THE WITNESS: It is my understanding, Mr. Hall, that we retained the permits but they had a date limitation in them and it was necessary later to extend them.

By MR. HALL:

Q. Did conditions change to enable Penn Water to use a more direct route? A. Yes, sir.

Q. Isn't it a fact that of the foundations planned for the Riverside line, Penn Water in 1932 built only those which it knew might become unnecessary?

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THE WITNESS: No, I don't think that is a fact.

By MR. HALL:

Q. What other ones did they build?

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A. Towers 271, 272 and 278, the foundations for which [8345] were built at that time, and subsequently actually were used in the line.

Q. But at the time they built those three additional ones they knew they might not be used. Isn't that so?

A. No, they expected to use them temporarily. There is nothing unusual in the procedure. That may frequently happen.

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[8377] Q. Why in your opinion should the project bear the cost of the financial reorganization as a cost of construction? A. Because it was unavoidable expense in the creation of the enterprise, each and every dime of it.

Q. Would you have treated it differently if it had been an avoidable expense?

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THE WITNESS: I don't know what I would have done with it. I can't conceive of anything like that happening

if it were avoidable. People just don't put corporations through bankruptcy and lose their opportunity to be compensated for their work for fun.

By MR. HALL:

Q. Why in your opinion should the project bear the cost [8378] of the foreclosure and sale? A. For the same reason I gave you in answer to the previous question.

[8379] Q. Mr. Gunn, in what sense did you use the word "unavoidable" a few moments ago? A. In this sense: That McCall Ferry was organized by thoroughly capable people in every department of its business. It was advised by the most eminent engineers in the country. It had capable people in every branch of it. The failure and the bankruptcy was, in my opinion, the result of the financial panic in 1907, and it was thus caused by something beyond the control of good management.

Q. Would McCall Ferry Power Company have had to worry about the financial panic if they had initially made proper financial arrangements? A. They did initially make proper financial arrangements.

Q. Did they make arrangements which were sufficient to carry out the construction? A. No, sir, because after the financial arrangements were made the plan for development of the project was changed so as to increase the output of the plant.

Q. Assume they knew that they needed more money to carry out their plans and made the arrangement then, would the financial panic have caused McCall Ferry any concern? A. If you assume also that they could have done it at that time, a fact which I doubt.

[8381] By MR. HALL:

Q. Mr. Gunn, have you included in your original cost claim the overhead during the period of suspension from November 1, 1907, to September 1, 1909, as well as other

expenses incurred because of the work suspension? A. Yes, I computed all the costs incurred during that period. I don't agree that is the cessation period, of course.

Q. Why didn't you exclude the overheads applicable to that period? A. For the same reason I didn't exclude the reorganization expense.

Q. Did you make any investigation of these overheads to determine which, if any, were the direct result of construction activities? A. I don't recall that I did.

May I have the last question, please?

(Question read.)

THE WITNESS: I think I will have to modify the last answer. Of course, I knew the character of the expenses during that period, and I am aware that there were expenses of Hutchinson, Cooper, and Sanderson and Porter included in there. Of course, they would be related to construction. However, I didn't make a separation and treat one category of expenses in one way and another category another way. [8382] I treated all the expenses the same.

By MR. HALL:

Q. That is as construction costs? A. Yes, sir.

Q. You have capitalized all overheads prior to November 1, 1907, right? A. Yes, sir.

Q. And you have capitalized all overheads from September 1, 1909, to January 1, 1911, right?

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THE WITNESS: You mean January 1, 1911, or October?

By MR. HALL:

Q. Will you give that explanation? A. Yes, and also we capitalized the overhead from January 1, 1911 to the date of beginning of commercial operation, which is October 1, 1911.

Q. In addition to what you have just stated you have capitalized overhead during the cessation period from November 1, 1907, to September 1, 1909, right? A. Yes,

that is correct, such overheads as were incurred during that period.

. . .

THE WITNESS: Capitalized overheads during that period, [8383] of course, Mr. Hall. I disagree with the characterization of the period.

By MR. HALL:

Q. Assume, Mr. Gunn, that Penn Water were to begin today to construct an additional hydro unit and stopped work when it was 80 per cent complete. Do you think that it would be proper to capitalize overhead until such time as the unit was finally completed? A. That would depend on the circumstances, what caused them to cease construction, how long construction ceased, and it would depend on all sorts of things you have not included in your question. I couldn't answer that question.

Q. What percentage of overheads does Penn Water use in making retirement on its books? A. For the period prior to 1924 the company uses 25 per cent, and since 1924, when the job order system came into effect, the company uses whatever amount the job order on which the property was installed shows.

. . .

[8384] By MR. HALL:

Q. When Penn Water retires property constructed prior to 1924, does Penn Water still use an overhead percentage of 25 per cent? A. I believe they do.

. . .

Q. Had the project been completed without suspension of work the overheads would have been paid during such shorter period. Isn't that so?

. . .

THE WITNESS: Yes, if by "overheads" you are referring to the whole list of periods that we have just previously discussed. I think that is rather obvious.

By Mr. HALL:

Q. Why did you capitalize the general office salaries and general office expenses paid during the period of cessation? A. For the same reason I gave you in connection with [8385] the bondholders' expense. It was a necessary and unavoidable expense of creating the enterprise.

Q. You don't mean creating, do you, Mr. Gunn? A. Well, it seems to me that is the proper description. Building the project, if that is better. I have used the word in a general sense.

Q. The general office of McCall Ferry and its employees were located in New York City, right? A. I believe that is correct, but not all of its employees by any manner of means. Most of McCall Ferry employees were, of course, located in Holtwood.

Q. That was the construction crew, right? A. Construction and some supervisory, I think.

Q. Is it your view that the retention of Mr. Barnum, the Treasurer, of Messrs. Foote, Hinton or Sillick, Accountants, who remained on the payroll after the project work was closed down, lessened the time necessary to complete the project when it was finally reopened at the end of August, 1909?

. . .

[8386] THE WITNESS: Yes, I should assume it did if the bookkeepers were busy.

By Mr. HALL:

Q. How did their retention shorten the later construction period? A. To the extent that they did any work that much work was not necessary to be done later. Of course, you know Mr. Barnum was not the bookkeeper. He was a lawyer.

Q. He was the Treasurer, right? A. Yes, sir.

Q. What work did these individuals do which shortened the later construction period? A. I don't know.

Q. Will you describe any expenditure charged to general office salaries or expenses during the period from November 1, 1907 to July 17, 1909, which was made and represented direct construction costs?

. . .

THE WITNESS: Mr. Hall, in that question you are still referring to the three bookkeepers and the lawyer, are you?

By MR. HALL:

Q. Any expenditure charged to general office salaries or expenses? A. I would say that Mr. Hutchinson's efforts contributed [8387] to the construction of the project and I would say, also, that these three bookkeepers to the extent they were busy were either catching up on their past work related to construction or doing work which would otherwise have had to be done at some other time.

Q. To what extent were they busy? A. Well, I wasn't there, Mr. Hall. But with the company in the financial situation McCall Ferry was in I certainly don't assume they were wasting money on salaries for people not to do any thing.

Q. To what extent was their work in arrears? A. I don't know.

Q. As a matter of fact, Mr. Gunn, you don't know that it was in arrears—right? A. No, I am just assuming that there was some reason for McCall Ferry keeping them on the payroll and, being bookkeepers there would have to be some sort of work of that sort for them to do.

Q. What did Mr. Kirkland, Mr. Pender, Mr. Dentzman, or the clerical help do in actual construction during the period of cessation?

. . .

THE WITNESS: I think Mr. Kirkland, and perhaps Mr. Pender, were working on the plans and designs and perfecting [8388] those which we discussed the other day, and certainly for a considerable part of that time, during the